

Capital Area Transportation Authority



Financial Statements

**For The Years Ended
September 30, 2008 and 2007**

CAPTIAL AREA TRANSPORTATION AUTHORITY

For the Years Ended September 30, 2008 and 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows.....	10-11
Statement of Fiduciary Net Assets.....	12
Statement of Changes in Fiduciary Net Assets	13
Notes to the Financial Statements	14-30
Required Supplementary Information	
Schedules of Funding Progress and Employer Contributions:	
Union Employees' Retirement System	31
Administrative Employees' Retirement System	32
Supplementary Information	
Schedule of Operating Expenses.....	33-34
Schedule of Non-operating Revenues	35
Schedule of Local Revenues	36
Schedule of Operating and Contract Expenses	37
Schedule of Expenses by Contract and General Operations	38
Urban Regular Service Revenue Report	39
Urban Regular Service Expense Report	40
Urban Regular Service Nonfinancial Report	41
Nonurban Regular Service Revenue Report	42
Nonurban Regular Service Expense Report	43
Nonurban Regular Service Nonfinancial Report	44
Operating Assistance Calculation	45
Schedule of Computations of Net Eligible Costs for General Operations	46
Schedule of Mileage Data	47
Schedule of Vehicle Hours and Passengers	48-49
Single Audit	
Schedule of Expenditures of Federal Awards	50-51
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	52-53
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	54-55
Schedule of Findings and Questioned Costs	56-57

INDEPENDENT AUDITORS' REPORT

February 27, 2009

To the Board of Directors of the
Capital Area Transportation Authority
Lansing, Michigan

We have audited the accompanying financial statements of the major fund of the ***Capital Area Transportation Authority*** as of and for the years ended September 30, 2008 and September 30, 2007, and the remaining fund information of the Authority as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Capital Area Transportation Authority as of September 30, 2008 and 2007, and the remaining fund information as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-7 and the Retirement System schedules on pages 31-32 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information for the years ended September 30, 2008 and 2007 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The information on pages 33 through 46 inclusive except for pages 41 and 44, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the 2008 basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2008 basic financial statements taken as a whole. The information on pages 41 and 44 and 47 through 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ending September 30, 2008

The Management Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of the Capital Area Transportation Authority (Authority) for the year ended September 30, 2008. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

The Authority experienced a decrease in net assets of \$0.4 million, a decrease of 0.9% over 2007, a result of reduced capital contributions from the Federal and State governments.

Overall revenues, including capital contributions, decreased from \$42.5 million in 2007 to \$40.6 million in 2008, a 4.4% decrease. The decrease was primarily the result of a \$4.9 million decrease in capital expenditures.

- Operating revenues increased \$1,375,492 or 21.6%.
- Non-operating revenues increased \$1,694,611 or 6.0%.
- Capital contributions decreased \$4,931,558 or 63.7%.
- Operating expenses increased \$3,371,635 or 8.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information and compliance information.

The basic financial statements include two kinds of statements:

- The first statement is the Enterprise Fund, which tells how basic transportation services were financed in the short-term and what remains for future spending.
- The second statement is the Pension Trust Fund, which is a fiduciary fund. This statement provides information about the financial relationship in which the Authority acts as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data. The notes are followed by a series of required supplemental information that further explains and supports the financial statements. The compliance information provides data relating to the basic transportation services provided.

PROPRIETARY FUND STATEMENT

The proprietary fund statement reports information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The balance sheet includes all of the Authority's assets and liabilities. The statement of revenues, expenses and changes in net assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The net assets of the proprietary fund are reported in the balance sheet. Net assets – the difference between the Authority's assets and liabilities – are one way to measure the Authority's financial health or position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Authority, you must also consider additional factors such as changes in the Authority's tax base, the condition of its rolling stock and facilities and changes in Federal and State programs.

FIDUCIARY FUND STATEMENT

The Authority administers pension plans which cover substantially all union and administrative employees. The Authority is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the proprietary fund financial statements because the Authority cannot use these assets to finance its operations.

NET ASSETS

The Authority's total net assets at September 30, 2008 were \$50.9 million, a decrease of approximately \$0.4 million or (0.9%). Total assets decreased \$1.1 million or 1.8% and total liabilities decreased \$0.7 million or 7.4%.

CAPITAL AREA TRANSPORTATION AUTHORITY NET ASSETS (in thousands of dollars)

	As of September 30, 2008	2007	% Change
ASSETS			
Current Assets	\$20,126	\$17,752	13.4%
Capital Assets	38,933	42,407	(8.2%)
TOTAL ASSETS	59,059	60,159	(1.8%)
LIABILITIES			
Current liabilities	4,442	4,270	4.0%
Long-term debt	3,552	4,360	(18.5%)
Other long-term liabilities	129	146	(11.6%)
TOTAL LIABILITIES	8,123	8,776	(7.4%)
NET ASSETS			
Invested in capital assets, net of related debt	34,573	37,269	(1.8%)
Unrestricted net assets	16,363	14,114	(7.4%)
TOTAL NET ASSETS	\$50,936	\$51,383	0.9%

CHANGES IN NET ASSETS

The decrease in net assets in 2008 was \$.4 million, compared to the \$4.8 million increase in 2007. (See table below.)

CAPITAL AREA TRANSPORTATION AUTHORITY			
CHANGES IN NET ASSETS (in thousands of dollars)			
	As of September 30,		
	2008	2007	% Change
OPERATING REVENUE			
Passenger fares	\$ 4,817	\$ 4,151	16.0%
Other	2,939	2,229	31.9%
TOTAL OPERATING REVENUE	7,756	6,380	21.6%
OPERATING EXPENSES			
Total operating expenses			
before depreciation	35,573	32,588	9.2%
Depreciation	5,515	5,128	7.5%
TOTAL OPERATING EXPENSES	41,088	37,716	8.9%
OPERATING LOSS	(33,332)	(31,336)	6.4%
NONOPERATING REVENUES			
Tax Revenue	13,112	12,580	4.2%
Government operating grants	16,138	14,889	8.4%
Other	819	905	(9.5%)
TOTAL NONOPERATING REVENUES	30,069	28,374	6.0%
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,263)	(2,962)	10.2%
CAPITAL CONTRIBUTIONS	2,816	7,748	(63.7%)
CHANGE IN NET ASSETS	(447)	4,786	(109.3%)
Total Net Assets, beginning	51,383	46,597	10.3%
TOTAL NET ASSETS, ENDING	\$50,936	\$51,383	(0.9%)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the 2008 and 2007 fiscal years, the Authority had invested \$2.8 million and \$7.7 million respectively in capital assets from capital grants, including:

	2008	2007
Building renovations	\$ 180,254	\$ 976,083
Revenue vehicles	1,459,835	5,750,622
Furniture and fixtures	616,163	603,269
Bus shelters	92,182	160,082
Equipment	467,736	257,671
Total	<u>\$ 2,816,170</u>	<u>\$ 7,747,727</u>

Capital Area Transportation Authority capital assets (net of depreciation)

	2008	2007
Land	\$ 1,821,363	\$ 1,821,363
Buildings	15,608,400	16,437,753
Revenue vehicles	18,939,303	21,743,275
Furniture, fixtures and computers	1,210,677	937,773
Bus shelters and signs	555,634	511,225
Equipment	797,129	955,528
Total	<u>\$ 38,932,506</u>	<u>\$ 42,406,917</u>

More detailed information about capital assets can be found in Note II-B to the financial statements.

Long-term debt

At year end, the authority had \$3.6 million in long term debt, a reduction of 18.5% from last year. More detailed information about the Authority's long term liabilities can be found in Note II-C to the financial statements.

FACTORS BEARING ON THE AUTHORITY'S FUTURE

At the time these financial statements were prepared and audited, the Authority was aware of one existing circumstance that could significantly affect its financial health in the future. For the fiscal year 2008, the Authority received approximately 30% of its funds used for operations from the State of Michigan. This funding was based on the Authority receiving 30.63% of its eligible operating expenses for urban service and 36.15% of its eligible operating expenses for non-urban service from the State compared to 32.52% and 38.62% respectively in fiscal year 2007. Effective October 1, 2008, the stated rates of reimbursement were reduced to 30.16% and 35.61%, respectively. It is possible that budget constraints within the State could result in further reduction of this funding formula.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Capital Area Transportation Authority and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Capital Area Transportation Authority at 4615 Tranter Ave., Lansing, MI 48910.

BASIC FINANCIAL STATEMENTS

Capital Area Transportation Authority

Statements of Net Assets

	September 30,	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 522,692	\$ 1,062,517
Investments	15,163,718	13,664,671
Accounts receivable	473,782	240,081
Due from federal government	639,451	657,196
Due from state government	668,641	153,276
Due from local governmental units	1,055,313	575,181
Single business taxes receivable	15,522	15,522
Property tax receivable	89,691	33,851
Inventories	1,069,137	950,556
Prepaid expenses	428,469	399,163
Total current assets	<u>20,126,416</u>	<u>17,752,014</u>
Noncurrent assets:		
Capital assets not being depreciated	1,821,363	1,821,363
Capital assets being depreciated, net	37,111,143	40,585,554
	<u>38,932,506</u>	<u>42,406,917</u>
Total assets	<u>59,058,922</u>	<u>60,158,931</u>
Liabilities		
Current liabilities:		
Accounts payable	940,503	984,036
Accrued payroll	420,235	304,885
Accrued pension	466,304	473,783
Accrued interest	69,301	81,672
Accrued insurance	-	100,759
Accrued vacation, incentive and sick pay	973,313	912,833
Current portion of capital lease obligations	807,903	778,214
Other current liabilities	94,234	32,852
Reserve for workers' compensation claims	72,923	61,496
Reserve for health insurance costs	450,162	428,159
Unearned revenue	146,593	111,142
Total current liabilities	<u>4,441,471</u>	<u>4,269,831</u>
Long-term liabilities:		
Capital lease obligations, net	3,551,813	4,359,717
Accrued severance pay	129,487	146,110
Total long-term liabilities	<u>3,681,300</u>	<u>4,505,827</u>
Total liabilities	<u>8,122,771</u>	<u>8,775,658</u>
Net assets		
Invested in capital assets, net of related debt	34,572,790	37,268,986
Unrestricted -designated for postemployment benefits	400,000	-
Unrestricted	15,963,361	14,114,287
Total net assets	<u>\$ 50,936,151</u>	<u>\$ 51,383,273</u>

The accompanying notes are an integral part of these financial statements.

Capital Area Transportation Authority

Statements of Revenues, Expenses and Changes in Net Assets

	For the Year Ended September 30,	
	2008	2007
Operating revenues		
Linehaul	\$ 3,994,729	\$ 3,440,293
MSU extra services	2,203,742	1,619,520
Spectran	725,790	636,546
CATA rural service	86,923	67,624
Senior/handicapper shopping bus	9,006	8,418
Meridian Redi-Ride	290,549	300,475
Special services	356,373	206,741
Other revenues	88,440	100,443
Total operating revenue	<u>7,755,552</u>	<u>6,380,060</u>
Operating expenses		
Labor and fringe benefits	22,590,676	21,113,353
Services	1,657,486	1,452,723
Advertising	357,333	527,545
Materials, fuel and supplies	4,954,887	3,753,529
Utilities	455,022	449,070
Insurance and self-insured costs	944,284	1,114,919
Purchased transportation services	4,216,455	3,754,539
Miscellaneous	185,279	174,886
Interest	186,532	212,694
Leases and rentals	25,055	34,809
Depreciation	5,514,644	5,127,951
Total operating expenses	<u>41,087,653</u>	<u>37,716,018</u>
Operating loss	<u>(33,332,101)</u>	<u>(31,335,958)</u>
Nonoperating revenues		
Tax revenue:		
Property tax	13,112,051	12,580,862
Single business tax inventory reimbursement	-	(1,348)
Government operating grants:		
Federal	1,058,815	1,183,193
State	11,454,214	10,291,467
Local	3,450,000	3,280,214
Planning and technical study grants	174,492	134,564
Investment income	404,334	498,973
Other nonoperating revenue	414,904	406,274
Total nonoperating revenues	<u>30,068,810</u>	<u>28,374,199</u>
Net loss before capital contributions	(3,263,291)	(2,961,759)
Capital contributions - grants	<u>2,816,169</u>	<u>7,747,727</u>
Change in net assets	(447,122)	4,785,968
Net assets, beginning of year	<u>51,383,273</u>	<u>46,597,305</u>
Net assets, end of year	<u><u>\$ 50,936,151</u></u>	<u><u>\$ 51,383,273</u></u>

The accompanying notes are an integral part of these financial statements.

Capital Area Transportation Authority

Statements of Cash Flows

	For the Year Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Receipts from operations	\$ 6,523,710	\$ 8,590,134
Payments to suppliers	(13,040,343)	(11,830,404)
Payments to employees	(22,590,676)	(21,113,353)
Net cash used in operating activities	(29,107,309)	(24,353,623)
Cash flows from noncapital financing activities:		
Federal operating grants	1,058,815	1,183,193
State of Michigan grants	11,628,706	10,426,031
Local nonoperating revenues	16,976,955	16,266,002
Net cash provided by noncapital financing activities	29,664,476	27,875,226
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,040,234)	(7,009,640)
Capital contributed by governmental units	2,816,169	7,747,727
Repayment of capital lease obligation	(778,214)	(749,616)
Net cash used in capital and related financing activities	(2,279)	(11,529)
Cash flows from investing activities:		
Purchases of investments	(1,499,047)	(3,169,551)
Investment income	404,334	498,973
Net cash used in investing activities	(1,094,713)	(2,670,578)
Net increase (decrease) in cash and cash equivalents	(539,825)	839,496
Cash and cash equivalents, beginning of year	1,062,517	223,021
Cash and cash equivalents, end of year	\$ 522,692	\$ 1,062,517

Continued...

Capital Area Transportation Authority
Statements of Cash Flows (Concluded)

	For the Year Ended September 30,	
	2008	2007
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (33,332,101)	\$ (31,335,958)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,514,644	5,127,951
Changes in assets and liabilities:		
Receivables	(1,267,293)	2,190,238
Inventories	(118,581)	(72,788)
Prepaid expenses	(29,306)	13,939
Accounts payable	(43,533)	(145,582)
Accruals	38,598	(109,759)
Other current liabilities	61,382	31,495
Reserve for workers' compensation claims	11,427	(115,666)
Reserve for health insurance costs	22,003	42,671
Unearned revenue	35,451	19,836
Net cash used by operating activities	\$ (29,107,309)	\$ (24,353,623)

The accompanying notes are an integral part of these financial statements.

Capital Area Transportation Authority
Statements of Fiduciary Net Assets

	December 31,	
	2007	2006
Assets		
Investments in insurance contracts	\$ 28,304,593	\$ 25,893,951
Accounts receivable	663,257	701,132
	<hr/>	<hr/>
Total assets	28,967,850	26,595,083
	<hr/>	<hr/>
Net assets held in trust for pension benefits	\$ 28,967,850	\$ 26,595,083
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Capital Area Transportation Authority
Statements of Changes in Fiduciary Net Assets

	For the Year Ended December 31,	
	2007	2006
Additions		
Investment income:		
Contract investment income	\$ 1,061,694	\$ 941,584
Net appreciation in fair value of investments	359,843	704,294
Net investment income	<u>1,421,537</u>	<u>1,645,878</u>
Contributions:		
Employer	1,293,403	1,319,914
Plan members	809,977	744,311
Total contributions	<u>2,103,380</u>	<u>2,064,225</u>
Total additions	<u>3,524,917</u>	<u>3,710,103</u>
Deductions		
Participant benefits	1,103,959	1,270,950
Administrative expenses	<u>48,191</u>	<u>55,435</u>
Total deductions	<u>1,152,150</u>	<u>1,326,385</u>
Net additions to net assets held in trust	2,372,767	2,383,718
Net assets held in trust for pension benefits:		
Beginning of year	<u>26,595,083</u>	<u>24,211,365</u>
End of year	<u><u>\$ 28,967,850</u></u>	<u><u>\$ 26,595,083</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Capital Area Transportation Authority (CATA) is a public body organized as a legal entity pursuant to the Mass Transportation System Authorities Act, Public Act 55 of 1963. The Authority has the capability and authority to provide public transportation to the general public in the greater Lansing area. Its member municipalities include the cities of Lansing and East Lansing and the townships of Delhi, Lansing and Meridian. The Authority is also authorized by the Act to operate within certain service boundaries which include the counties of Ingham, Eaton and Clinton. The Authority has contracted with the County of Ingham to administer and manage transportation services to that area in the county not included in the municipalities listed above.

Funds with Other Year-Ends

Pension Trust Funds are reported on fiscal years ended December 31, 2007 and 2006.

B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund and pension trust fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government accounts for its operations in a single enterprise fund. Additionally, the government reports pension trust funds that account for the activities of the Union and Administrative Employees pension plans.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are charges to customers for sales and services. Property taxes and grants received to subsidize operations are classified as nonoperating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities and equity

1. Deposits and investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Pension plan investments in unallocated insurance contracts are valued at contract value. All other investments of the Authority are stated at fair value.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

3. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-30
Revenue vehicles	4-12
Equipment	3-10

4. *Accrued vacation, incentive and sick pay*

It is the Authority's policy to not permit employees to accumulate unused vacation or sick time from year to year. The liability recorded at year-end represents earned vacation, incentive and sick time earned but not yet paid.

5. *Accrued severance pay*

The Authority has recorded a liability for estimated benefits due to employees who had salaried and/or administrative status on May 1, 1990, and who are expected to retire at age 55 or older with at least 10 years of continuous service. Employees meeting these requirements are entitled to ninety days of pay.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

6. *Property taxes*

Property taxes attach as an enforceable lien on property as of the date they are levied. The taxes are levied as of December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Property tax revenues are recognized by the Authority in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The following is a reconciliation of deposit and investment balances as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Statement of Net Assets:		
Cash and cash equivalents	\$ 522,692	\$ 1,062,517
Investments	<u>15,163,718</u>	<u>13,664,671</u>
	<u>\$ 15,686,410</u>	<u>\$ 14,727,188</u>
 Deposits and Investments:		
Bank deposits	\$ 1,109,430	\$ 1,649,570
Investments	14,563,718	13,064,671
Cash on hand	<u>13,262</u>	<u>12,947</u>
	<u>\$ 15,686,410</u>	<u>\$ 14,727,188</u>

In addition, as of December 31, 2007 and 2006, the Authority reported investments in the Statement of Fiduciary Net Assets of \$28,304,593 and \$25,893,951, respectively.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

The Authority chooses to disclose its investments by specifically identifying each.

As of September 30, 2008, the Authority had the following investments.

	Carrying Amount (Fair Value)	<u>Maturity</u>	<u>Credit Rating</u>
Governmental money market funds	<u>\$ 14,563,718</u>	n/a	n/a

As of September 30, 2007, the Authority had the following investments.

	Carrying Amount (Fair Value)	<u>Maturity</u>	<u>Credit Rating</u>
Governmental money market funds	<u>\$ 13,064,671</u>	n/a	n/a

The investments reported in the Statement of Fiduciary Net Assets were comprised entirely of investments in insurance contracts held by the Principal Financial Group.

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2008 and 2007, \$2,479,112 and \$1,300,574, respectively, of the Authority's bank balance of \$3,207,271 and \$2,015,556, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. As of September 30, 2008 and 2007, none of the Authority's investments, excluding the money market accounts, which are not subject to custodial credit risk, were exposed to risk since the securities are held in the Authority's name by the counterparty.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

B. Capital assets

Capital assets activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated -				
Land	\$ 1,821,363	\$ -	\$ -	\$ 1,821,363
Capital assets, being depreciated:				
Buildings	25,830,104	191,752	300,398	25,721,458
Vehicles	40,634,033	1,076,530	2,629,688	39,080,875
Furniture, fixtures and computers	2,654,159	617,205	333,592	2,937,772
Bus shelters and signs	1,143,995	92,182	143,717	1,092,460
Equipment	2,134,168	62,565	35,157	2,161,576
Total capital assets being depreciated	72,396,459	2,040,234	3,442,552	70,994,141
Less accumulated depreciation for:				
Buildings	9,392,351	1,021,105	300,398	10,113,058
Vehicles	18,890,758	3,880,502	2,629,688	20,141,572
Furniture, fixtures and computers	1,716,386	344,301	333,592	1,727,095
Bus shelters and signs	632,770	47,773	143,717	536,826
Equipment	1,178,640	220,964	35,157	1,364,447
Total accumulated depreciation	31,810,905	5,514,645	3,442,552	33,882,998
Total capital assets, being depreciated, net	40,585,554	(3,474,411)	-	37,111,143
Total capital assets, net	\$ 42,406,917	\$ (3,474,411)	\$ -	\$ 38,932,506

If capital assets purchased with governmental funds are withdrawn from mass transportation service, the Authority must remit to the government its proportionate share of the fair market value.

Depreciation expense for the years ended September 30, 2008 and 2007 was \$5,514,645 and \$5,127,951, respectively.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Capital assets activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated - Land	\$ 1,821,363	\$ -	\$ -	\$ 1,821,363
Capital assets, being depreciated:				
Buildings	24,898,771	989,271	57,938	25,830,104
Vehicles	37,483,664	5,116,983	1,966,614	40,634,033
Furniture, fixtures and computers	2,089,677	564,482	-	2,654,159
Bus shelters and signs	983,913	160,082	-	1,143,995
Equipment	1,955,346	178,822	-	2,134,168
Total capital assets being depreciated	67,411,371	7,009,640	2,024,552	72,396,459
Less accumulated depreciation for:				
Buildings	8,479,514	970,775	57,938	9,392,351
Vehicles	17,241,541	3,615,831	1,966,614	18,890,758
Furniture, fixtures and computers	1,418,699	297,687	-	1,716,386
Bus shelters and signs	591,615	41,155	-	632,770
Equipment	976,137	202,503	-	1,178,640
Total accumulated depreciation	28,707,506	5,127,951	2,024,552	31,810,905
Total capital assets, being depreciated, net	38,703,865	1,881,689	-	40,585,554
Total capital assets, net	\$ 40,525,228	\$ 1,881,689	\$ -	\$ 42,406,917

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

C. Long-term debt

Changes in Long-Term Debt

Following is a summary of long-term debt activity for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases payable	\$ 5,137,930	\$ -	\$ (778,214)	\$ 4,359,716	\$ 807,903
Accrued vacation, incentive and sick pay	912,833	1,341,014	(1,280,534)	973,313	973,313
Accrued severance pay	<u>146,110</u>	<u>-</u>	<u>(16,623)</u>	<u>129,487</u>	<u>-</u>
	<u>\$ 6,196,873</u>	<u>\$ 1,341,014</u>	<u>\$ (2,075,371)</u>	<u>\$ 5,462,516</u>	<u>\$ 1,781,216</u>

Capital Lease Payable

The Authority has entered into a lease agreement to purchase revenue vehicles. Capital leases outstanding as of September 30 are as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2008						
Comerica Leasing Corporation	3.815%	<u>\$ 5,137,930</u>	<u>\$ -</u>	<u>\$ (778,214)</u>	<u>\$ 4,359,716</u>	<u>\$ 807,903</u>
2007						
Comerica Leasing Corporation	3.815%	<u>\$ 5,887,547</u>	<u>\$ -</u>	<u>\$ (749,617)</u>	<u>\$ 5,137,930</u>	<u>\$ 778,214</u>

Capital lease debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 807,903	\$ 166,323	\$ 974,226
2010	838,725	135,502	974,227
2011	870,722	103,504	974,226
2012	903,940	70,286	974,226
2013	<u>938,426</u>	<u>35,801</u>	<u>974,227</u>
Total	<u>\$ 4,359,716</u>	<u>\$ 511,416</u>	<u>\$ 4,871,132</u>

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Capital assets acquired under capital leases are included in vehicles as of September 30, as follows:

	<u>2008</u>	<u>2007</u>
Vehicles	\$ 8,972,974	\$ 8,972,974
Accumulated depreciation	<u>(4,949,884)</u>	<u>(4,145,513)</u>
	<u>\$ 4,023,090</u>	<u>\$ 4,827,461</u>

III. OTHER INFORMATION

A. Risk management

The Authority is exposed to various risks of loss related to assets; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Authority has established a limited risk management program for workers' compensation. An excess coverage insurance policy covers individual claims in excess of \$300,000, aggregate claims in excess of \$500,000 and maximum insurance of \$5,000,000.

Changes in workers' compensation claims liabilities are as follows:

	<u>For the Year Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Estimated liability, beginning of year	\$ 61,496	\$ 177,162
Current year claims and changes in estimate	163,621	34,218
Claim payments	<u>(152,194)</u>	<u>(149,884)</u>
Estimated liability, end of year	<u>\$ 72,923</u>	<u>\$ 61,496</u>

Further, the Authority has established a limited risk management program for health and related benefits such as vision and dental. An excess coverage insurance policy covers individual claims per policy period in excess of \$100,000, aggregate claims in excess of \$1,000,000, and maximum insurance coverage of \$1,000,000 per individual.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Changes in health and related benefits claims liabilities are as follows:

	For the Year Ended September 30,	
	2008	2007
Estimated liability, beginning of year	\$ 428,159	\$ 385,488
Current year claims and changes in estimate	3,515,696	3,294,109
Claim payments	<u>(3,493,693)</u>	<u>(3,251,438)</u>
Estimated liability, end of year	<u>\$ 450,162</u>	<u>\$ 428,159</u>

The Capital Area Transportation Authority is also a member of the Michigan Transit Pool Liability Trust Fund. This pool provides property and casualty insurance to member transportation authorities. Pool members may be subject to supplemental assessments in the event of deficiencies. The Authority has purchased additional insurance coverage in the amount of \$5,000,000 for excess liability.

The Authority purchases commercial insurance to cover other risks of loss.

B. Defined benefit pension plans

Union Employees' Pension Plan

Plan Membership

Membership of the plan consisted of the following:

	January 1,	
	2008	2007
Retirees and beneficiaries receiving benefits	72	70
Terminated plan members entitled to but not yet receiving benefits	32	29
Active plan members	<u>187</u>	<u>183</u>
Total	<u>291</u>	<u>282</u>

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Plan Description

The Authority administers the Union Employees' Pension Plan, a single-employer, defined benefit pension plan that covers substantially all union employees with at least 90 days and 1,000 hours of service. Benefit provisions are established and may be amended by the Authority's Board of Directors under the Capital Area Transportation Authority Retirement Plan (#001) subject to the terms of collective bargaining. The Board has delegated the authority to manage certain plan assets to Principal Life Insurance Company. Separate financial statements of the Plan have not been issued.

Benefits are 100% vested after 10 years of service. Authority employees who retire at or after age 59 are entitled to a monthly benefit equal to years of accrued service multiplied by scheduled rates as determined by the employee's retirement date. Early retirement is available on or after age 55 at a reduced monthly benefit. The plan also provides disability, single sum death and survivor annuity death benefits.

Contributions

Each active participant is required to contribute \$59.50 per week to the plan from December 1, 2004 through November 30, 2005, \$63.00 from December 1, 2005 through November 30, 2006, \$66.50 from December 1, 2006 through November 30, 2007 and \$70.00 from December 1, 2007 through November 30, 2008. The Authority is required to match all participant contributions (the aggregate annual contribution must meet or exceed the minimum funding standards of ERISA).

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2007 actuarial valuation using the entry age normal, frozen initial liability actuarial cost method. The actuarial value of assets was determined using contract values for insurance contracts and market value for other accounts. Significant actuarial assumptions used in the valuation include a) a rate of return on the investment of present and future assets of 6.00% compounded annually, b) mortality established with the RP-2000 table, male and females rates, c) expenses deducted from the fund according to expense scales in the service agreement, d) 12.15% withdrawal rate at age 20 graded down to 2.1% at age 55, and, e) no post-retirement benefit increases. Unfunded actuarial accrued liabilities are amortized using the level dollar method over a closed period. The remaining amortization period is 27 years.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Administrative Employees' Pension Plan

Plan Membership

Membership of the plan consisted of the following:

	January 1,	
	<u>2008</u>	<u>2007</u>
Retirees and beneficiaries receiving benefits	4	-
Terminated plan members entitled to but not yet receiving benefits	14	17
Active plan members	<u>51</u>	<u>47</u>
Total	<u>69</u>	<u>64</u>

Plan Description

The Authority administers the Administrative Employees' Pension Plan, a single-employer, defined benefit pension plan that covers substantially all administrative employees with at least six months of service. Benefit provisions are established and may be amended by the Authority's Board of Directors under the Capital Area Transportation Authority Retirement Plan (#002) subject to the terms of collective bargaining. The Board has delegated the authority to manage certain plan assets to Principal Life Insurance Company. Separate financial statements of the Plan have not been issued.

Benefits are 100% vested after 10 years of service. Authority employees who retire at or after age 59 are entitled to a monthly benefit equal to 70% of the average compensation multiplied by the accrued benefit adjustment and the short service percentage. Early retirement is available on or after age 55 at a reduced monthly benefit. The plan also provides disability, single sum death and survivor annuity death benefits.

Contributions

The active participants are required to contribute 7% of their compensation paid per month. The Authority is required to contribute the remaining amounts necessary to fund the plan using an actuarial basis specified by statute (the aggregate annual contribution must meet or exceed the minimum funding standards of ERISA).

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2007 actuarial valuation using the entry age normal-frozen initial liability actuarial cost method. The actuarial value of assets was determined using contract values for insurances contracts and market value for other accounts. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 6.75% a year compounded annually, b) mortality established with RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA, c) expenses are deducted from the fund according to expense scales in the service agreement, d) 12.15% withdrawal rate at age 20 graded down to 2.1% at age 55, and e) projected salary increases are based on Table S-5 from the Actuary's Pension Handbook plus 3.00%. Unfunded actuarial accrued liabilities are amortized using the level dollar method over a closed period. The weighted average remaining amortization period is 18 years.

Three-year trend information

Union Employees' Pension Plan:

<u>Year ending</u>	<u>Annual Pension Cost</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 584,003	100%	\$ -
12/31/06	608,635	100	-
12/31/07	645,919	100	-

Administrative Employees' Pension Plan:

<u>Year ending</u>	<u>Annual Pension Cost</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 623,058	100%	\$ -
12/31/06	701,132	100	-
12/31/07	631,711	100	-

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Financial Statements for individual pension plans

	Union Plan		Administrative Plan		Totals	
	2007	2006	2007	2006	2007	2006
Assets						
Investments in insurance contracts	\$ 16,418,021	\$ 15,173,517	\$ 11,886,572	\$ 10,720,434	\$ 28,304,593	\$ 25,893,951
Accounts receivable	31,546	-	631,711	701,132	663,257	701,132.00
Total assets	16,449,567	15,173,517	12,518,283	11,421,566	28,967,850	26,595,083
Net assets held in trust for pension benefits	\$ 16,449,567	\$ 15,173,517	\$ 12,518,283	\$ 11,421,566	\$ 28,967,850	\$ 26,595,083

Changes in Pension Net Assets

Additions						
Investment income:						
Contract investment income	\$ 631,299	\$ 557,193	\$ 430,395	\$ 384,391	\$ 1,061,694	\$ 941,584
Net appreciation in fair value of investments	184,307	364,560	175,536	339,734	359,843	704,294
Net investment income	815,606	921,753	605,931	724,125	1,421,537	1,645,878
Contributions:						
Employer	661,692	618,782	631,711	701,132	1,293,403	1,319,914
Plan members	661,693	618,781	148,284	125,530	809,977	744,311
Total contributions	1,323,385	1,237,563	779,995	826,662	2,103,380	2,064,225
Total additions	2,138,991	2,159,316	1,385,926	1,550,787	3,524,917	3,710,103
Deductions						
Participant benefits	837,276	898,348	266,683	372,602	1,103,959	1,270,950
Administrative expenses	25,665	34,148	22,526	21,287	48,191	55,435
Total deductions	862,941	932,496	289,209	393,889	1,152,150	1,326,385
Net additions (deductions) to net assets held in trust	1,276,050	1,226,820	1,096,717	1,156,898	2,372,767	2,383,718
Net assets held in trust for pension benefits:						
Beginning of year	15,173,517	13,946,697	11,421,566	10,264,668	26,595,083	24,211,365
End of year	\$ 16,449,567	\$ 15,173,517	\$ 12,518,283	\$ 11,421,566	\$ 28,967,850	\$ 26,595,083

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

C. Post Retirement Benefits

In addition to the pension benefits described in Note B, the Authority provides post retirement health care and life insurance benefits to all employees who retire from the Authority after obtaining age 55 under provisions established in union and administrative contracts. Benefits covered 64 retirees and 27 beneficiaries for the year ended September 30, 2008 and 69 retirees and 17 beneficiaries for the year ended September 30, 2007. The Authority provides \$10,000 life insurance benefit for all retirees who retired after December 1, 1986 and \$15,000 for all administrative retirees after January 1, 1996. The Authority provides health care coverage for all eligible retirees from ages 59 to 65. Beyond age 65, medical coverage is provided in the form of a Medicare complementary coverage. For the year ended September 30, 2008 and 2007, expenses for post-retirement life insurance coverage were \$16,707 and \$17,014, respectively, and expenses for post-retirement health care coverage were \$630,768 and \$675,668, respectively. These benefits are financed on a pay-as-you-go basis.

The Governmental Accounting Standards Board has recently released Statement No. 45, "Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions." The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009. Management is currently assessing the impact of this new accounting standard on the Authority's financial statements for future reporting periods.

D. Commitments and Contingencies

Bus tires are to be furnished to the Authority under the terms of a supplier agreement effective July 1, 2008, which expires June 30, 2013 with annual increases. Payments for the use of the tires are to be made monthly and are based on the number of miles run. Bus tire expense under this agreement for the years ended September 30, 2008 and 2007 was \$117,556 and \$105,908, respectively.

CAPITAL AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

E. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

F. Cost Allocation Plan

The Authority has a cost allocation plan for all allocated expenses. The allocation plan was approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plan has been adhered to in the preparation of the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Capital Area Transportation Authority
Union Employees' Retirement Plan
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1999	\$ 4,523,872	\$ 7,759,514	\$ 3,235,642	58.3%	\$ 7,820,000	41.4%
12/31/2000	3,827,273	7,112,431	3,285,158	53.8%	9,160,000	35.9%
12/31/2001	4,983,351	7,881,876	2,898,525	63.2%	9,740,000	29.8%
12/31/2002	5,622,377	8,229,826	2,607,449	68.3%	10,300,000	25.3%
12/31/2003	6,950,751	10,478,614	3,527,863	66.3%	8,159,347	43.2%
12/31/2004	8,260,313	11,990,334	3,730,021	68.9%	9,080,048	41.1%
12/31/2005	9,547,235	13,413,493	3,866,258	71.2%	9,476,609	40.8%
12/31/2006	10,966,837	16,796,540	5,829,703	65.3%	9,025,657	64.6%
12/31/2007	12,515,323	18,659,614	6,144,291	67.1%	9,233,478	66.5%

* Actuarial value of assets excludes the amount set aside for the retired lives guaranteed in the "floor" option of the IPG contract.

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
1999	\$ 308,035	100.0%
2000	397,670	100.0%
2001	434,192	100.0%
2002	481,997	100.0%
2003	509,394	100.0%
2004	537,033	100.0%
2005	584,003	100.0%
2006	608,635	100.0%
2007	645,919	100.0%

**Capital Area Transportation Authority
Administrative Employees' Retirement Plan
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1999	\$ 4,051,297	\$ 4,537,818	\$ 486,521	89.3%	\$ 1,699,739	28.6%
12/31/2000	4,283,955	4,760,717	476,762	90.0%	1,656,500	28.8%
12/31/2001	5,425,247	6,268,202	842,955	86.6%	1,910,099	44.1%
12/31/2002	6,330,615	7,155,752	825,137	88.5%	1,939,012	42.6%
12/31/2003	6,968,603	8,068,629	1,100,026	86.4%	2,051,153	53.6%
12/31/2004	7,204,737	8,278,606	1,073,869	87.0%	2,320,612	46.3%
12/31/2005	8,258,958	9,715,544	1,456,586	85.0%	2,308,291	63.1%
12/31/2006	9,391,968	10,811,457	1,419,489	86.9%	2,156,568	65.8%
12/31/2007	10,539,188	11,873,207	1,334,019	88.8%	2,456,269	54.3%

* Actuarial value of assets excludes the amount set aside for the retired lives guaranteed in the "floor" option of the IPG contract.

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1999	\$ 242,656	100.0%
2000	364,470	100.0%
2001	329,624	100.0%
2002	389,922	100.0%
2003	417,721	100.0%
2004	516,385	100.0%
2005	623,058	100.0%
2006	701,132	100.0%
2007	631,711	100.0%

SUPPLEMENTARY INFORMATION

Capital Area Transportation Authority

Schedule of Operating Expenses

	For the Year Ended September 30, 2008			
	<u>Operations</u>	<u>Maintenance</u>	<u>Administration</u>	<u>Total</u>
Labor:				
Operator salaries and wages	\$ 9,365,347	\$ -	\$ -	\$ 9,365,347
Other salaries and wages	1,364,748	1,807,442	1,320,686	4,492,876
Fringe benefits	5,762,861	971,084	704,492	7,438,437
Fringe benefits -pension	1,002,527	168,933	122,556	1,294,016
Purchased services:				
Advertising	-	-	357,333	357,333
Other	81,187	473,120	1,103,179	1,657,486
Materials and supplies consumed:				
Fuel and lubricants	3,300,056	62,073	-	3,362,129
Tires and tubes	130,700	761	-	131,461
Other materials and supplies	30,122	1,161,402	269,773	1,461,297
Utilities	2,284	7,885	444,853	455,022
Casualty and liability costs:				
Premiums for public liability and property damage insurance	-	-	785,972	785,972
Other casualty and liability costs	-	158,312	-	158,312
Purchased transportation services	4,216,455	-	-	4,216,455
Miscellaneous expenses	33,370	5,692	146,217	185,279
Interest	-	-	186,532	186,532
Leases and rentals	-	-	25,055	25,055
Depreciation	3,752,154	346,942	1,415,548	5,514,644
Total operating expenses	<u>\$ 29,041,811</u>	<u>\$ 5,163,646</u>	<u>\$ 6,882,196</u>	<u>\$ 41,087,653</u>

For the Year Ended September 30, 2007

Operations	Maintenance	Administration	Total
\$ 8,521,438	\$ -	\$ -	\$ 8,521,438
1,299,808	1,802,138	1,190,231	4,292,177
5,368,880	983,062	664,852	\$ 7,016,794
992,688	184,257	105,999	1,282,944
-	-	527,544	527,544
72,130	411,081	969,513	1,452,724
2,240,147	49,629	-	2,289,776
110,884	1,501	-	112,385
30,969	1,013,133	307,266	1,351,368
2,337	8,397	438,338	449,072
-	-	957,857	957,857
-	157,060	-	157,060
3,754,539	-	-	3,754,539
28,097	11,891	134,899	174,887
-	-	212,694	212,694
3,240	1,691	29,877	34,808
3,565,976	245,444	1,316,531	5,127,951
<u>\$ 25,991,133</u>	<u>\$ 4,869,284</u>	<u>\$ 6,855,601</u>	<u>\$ 37,716,018</u>

Capital Area Transportation Authority
Schedule of Nonoperating Revenues
For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Local nonoperating revenues:		
Property tax levy	\$ 13,402,600	\$ 12,881,337
Single business tax inventory reimbursement	-	(1,348)
Ingham County - county wide service	3,450,000	3,280,214
Property management fees	199,000	199,000
Insurance participation fees	175,158	159,014
Gain on sale of assets	40,746	48,260
Rental income	69,478	73,242
Other local nonoperating	18,960	27,200
	<u>17,355,942</u>	<u>16,666,919</u>
State of Michigan operating grants:		
Operating grant (Act 51) 1994 (urban)	10,098,521	9,797,577
Operating grant (Act 51) 1994 (rural)	513,800	472,503
Operating grants - other	759,704	(50,819)
Specialized services assistance	82,189	72,206
State grant adjustments	-	-
	<u>11,454,214</u>	<u>10,291,467</u>
Federal operating grants:		
U.S. Department of Transportation, operating grant - Section 5311	208,314	207,989
Preventive maintenance	612,000	612,000
Section 9 planning	174,492	134,564
Other federal revenue	238,501	363,204
	<u>1,233,307</u>	<u>1,317,757</u>
Investment income	<u>404,334</u>	<u>498,973</u>
Total nonoperating revenues	<u><u>\$ 30,447,797</u></u>	<u><u>\$ 28,775,116</u></u>

Capital Area Transportation Authority
Schedule of Local Revenues
For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Linehaul	\$ 3,994,729	\$ 3,440,293
MSU extra services	2,203,742	1,619,520
Spectran	725,790	636,546
CATA rural service	86,923	67,624
Senior/Handicapper shopping bus	9,006	8,418
Meridian Redi-Ride	290,549	300,475
Specialized services	356,373	206,741
Property tax revenue	16,562,051	15,859,728
Investment income	404,334	498,973
Property management fees	199,000	199,000
Insurance participation fees	175,158	159,014
Gain on sale of assets	40,746	48,260
Other	<u>88,440</u>	<u>100,439</u>
Total	<u>\$ 25,136,841</u>	<u>\$ 23,145,031</u>

Capital Area Transportation Authority
Schedule of Operating and Contract Expenses
For the Year Ended September 30, 2008

<u>Expenses</u>	Urban	Nonurban	Specialized Services	Total
Labor	\$ 13,701,055	\$ 157,168	\$ -	\$ 13,858,223
Fringe benefits	7,353,829	84,608	-	7,438,437
Fringe benefits - pension	1,279,297	14,719	-	1,294,016
Purchased services:				
Advertising	345,035	12,298	-	357,333
Other	1,604,994	52,492	-	1,657,486
Materials and supplies	4,942,436	12,451	-	4,954,887
Utilities	439,901	15,121	-	455,022
Casualty and liability costs	943,365	919	-	944,284
Purchased transportation services	2,957,031	1,053,694	205,730	4,216,455
Miscellaneous expenses	180,017	5,262	-	185,279
Interest	186,532	-	-	186,532
Leases and rentals	23,768	1,287	-	25,055
Depreciation	5,338,584	176,060	-	5,514,644
Total expenses	\$ 39,295,844	\$ 1,586,079	\$ 205,730	\$ 41,087,653

Expenses were allocated based on the cost allocation plan approved by BPT in 1989

Capital Area Transportation Authority
Schedule of Expenses by Contract and General Operations
For the Year Ended September 30, 2008

	MI-90-X510 02-0024/Z29 FY06 s-5307	MI-90-X510 02-0024/Z29 FY06 s-5307	MI-90-X452 02-0024/Z23 FY05 s-5307	MI-90-X491 02-0024/Z27 FY06 s-5307	MI-90-X528 07-0185/Z03 FY07 s-5307	MI-90-X554 07-0185/Z10 FY08 s-5307	MI-90-X554 07-0185/Z10 FY08 s-5307	MI-90-Xxxx 07-0185/Zxx FY09 s-5307	07-0185/Z06 FY08 Oper.		
	Commute Options	Public Education	Planning	Planning	Planning	Preventative Maintenance	Bus Lease	Bus Lease	Specialized Services	General Operations	Total
Labor	\$ 30,839	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ 13,827,384	\$ 13,858,223
Fringe benefits	19,956	-	-	-		-	-	-	-	8,712,499	8,732,455
Purchased services:										-	
Advertising	500	23,604	-	-		-	-	-	-	332,195	356,299
Other	2,715	2,825	18,820	64,614	91,058	-	-	-	-	1,467,691	1,647,723
Materials and supplies	1,491	2,049	-	-		612,000	-	-	-	4,345,507	4,961,047
Utilities	-	-	-	-		-	-	-	-	455,019	455,019
Casualty and liability costs	-	-	-	-		-	-	-	-	944,287	944,287
Purchased transportation services	-	-	-	-		-	-	-	205,730	4,010,726	4,216,456
Miscellaneous expenses	7,609		-	-		-	-	-	-	182,303	189,912
Interest	-	-	-	-		-	91,472	55,441	-	39,619	186,532
Leases and rentals	-	-	-	-		-	-	-	-	25,055	25,055
Depreciation	-	-	-	-		-	363,167	269,301	-	4,882,177	5,514,645
Total operating expenses	\$ 63,110	\$ 28,478	\$ 18,820	\$ 64,614	\$ 91,058	\$ 612,000	\$ 454,639	\$ 324,742	\$ 205,730	\$ 39,224,462	\$ 41,087,653

Capital Area Transportation Authority
Urban Regular Service Revenue Report
For the Year Ended September 30, 2008

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	\$4,729,523
40200	Contract Fares	\$356,373
406 :	Auxiliary Trans Revenues	
40610	Concessions	\$326
407 :	NonTrans Revenues	
40720	Rental of Bldgs or Other Property	\$69,952
40799	Other NonTrans Revenue	\$431,321
408 :	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	\$16,255,405
409	Local Revenue	
40910	Local Operating Assistance	\$2,203,742
40920	Single Business Tax	\$0
411 :	State Formula and Contracts	
41101	State Operating Assistance	\$10,806,431
41199	Other State Contracts and Reimbursements	\$118,917
413 :	Federal Contracts	
41311	Preventative Maintenance	\$612,000
41313	Capital Contract Reimbursement for Admin Expenses	\$174,492
41399	Other FTA Contracts & Reimbursements	\$238,500
414 :	Other Revenue	
41400	Interest Income	\$406,079
TOTAL REVENUE		<u><u>\$36,403,061</u></u>

Capital Area Transportation Authority
Urban Regular Service Expense Report
For the Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501 :	Labor				
50101	Operators Salaries & Wages	\$ 9,365,346	-	-	\$ 9,365,346
50102	Other Salaries & Wages	\$ 1,040,928	\$ 1,797,641	\$ 1,277,162	\$ 4,115,731
50103	Dispatchers' Salaries & Wages	\$ 219,978	-	-	\$ 219,978
502 :	Fringe Benefits				
50200	Other Fringe Benefits	\$ 5,707,035	\$ 965,757	\$ 681,037	\$ 7,353,829
50201	Pension	\$ 992,815	\$ 168,007	\$ 118,475	\$ 1,279,297
503 :	Services				
50302	Advertising Fees	-	-	345,035	345,035
50305	Audit Cost	-	-	25,141	25,141
50399	Other Services	\$ 75,096	\$ 461,997	\$ 1,042,760	\$ 1,579,853
504 :	Materials and Supplies				
50401	Fuel & Lubricants	\$ 3,300,055	\$ 62,072	-	\$ 3,362,127
50402	Tires & Tubes	\$ 130,700	\$ 761	-	\$ 131,461
50499	Other Materials & Supplies	\$ 29,579	\$ 1,158,765	\$ 260,504	\$ 1,448,848
505 :	Utilities				
50500	Utilities	\$ 2,284	\$ 7,618	\$ 429,999	\$ 439,901
506 :	Insurance				
50603	Liability Insurance	\$ 785,055	-	-	\$ 785,055
50699	Other Insurance	-	-	\$ 158,310	\$ 158,310
508 :	Purchased Trans Service				
50800	Purchased Trans Service	\$ 2,957,031	-	-	\$ 2,957,031
509 :	Misc Expenses				
50902	Travel, Meetings & Training	\$ 27,388	\$ 5,681	\$ 51,001	\$ 84,070
50903	Association Dues & Subscriptions	\$ 530	-	\$ 74,603	\$ 75,133
50999	Other Misc Expenses	\$ 6,848	-	\$ 13,966	\$ 20,814
511 :	Interest Expense				
51101	Interest on Long-Term Debt	-	-	\$ 186,532	\$ 186,532
512 :	Operating Leases & Rentals				
51200	Operating Leases & Rentals	-	-	\$ 23,768	\$ 23,768
513 :	Depreciation				
51300	Depreciation	\$ 3,636,164	299,169	1,403,251	\$ 5,338,584
550 :	Ineligible Expenses				
55007	Ineligible Depreciation	\$ 3,593,093	296,236	1,369,394	\$ 5,258,723
55009	Ineligible Percent of Association Dues	-	-	\$ 6,020	\$ 6,020
55011	Ineligible Preventive Maintenance	-	\$ 612,000	-	\$ 612,000
55006	Other Ineligible Interest Expense	-	-	186,532	186,532
576 :	Ineligible Expenses				
57603	Ineligible Admin Expense Paid by Capital Contract	-	-	263,188	263,188
Total Expenses					\$ 39,295,844
Total Ineligible Expenses					6,326,463
Total Eligible Expenses					\$ 32,969,381

Capital Area Transportation Authority
Urban Regular Service Nonfinancial Report
For the Year Ended September 30, 2008
(Unaudited)

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	383,896	37,947	21,937	443,780
611	Vehicle Miles	5,361,687	506,046	307,209	6,174,942

Capital Area Transportation Authority
Nonurban Regular Service Revenue Report
For the Year Ended September 30, 2008

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	\$81,853
406 :	Auxiliary Trans Revenues	
40699	Other	\$5,069
408 :	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	\$597,198
411 :	State Formula and Contracts	
41101	State Operating Assistance	\$528,866
413 :	Federal Contracts	
41301	Federal Section 5311	\$208,314
TOTAL REVENUE		<u><u>\$1,421,300</u></u>

Capital Area Transportation Authority
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501 :	Labor				
50101	Operators Salaries & Wages				
50102	Other Salaries & Wages	\$ 103,843	\$ 9,801	\$ 43,524	\$ 157,168
50103	Dispatchers' Salaries & Wages	-	-	-	-
502 :	Fringe Benefits				
50200	Other Fringe Benefits	\$ 55,825	\$ 5,327	\$ 23,456	\$ 84,608
50201	Pension	9,711	927	4,081	14,719
503 :	Services				
50302	Advertising Fees	-	-	\$ 12,298	\$ 12,298
50305	Audit Cost	-	-	\$ 859	\$ 859
50399	Other Services	\$ 6,091	\$ 11,123	\$ 34,419	\$ 51,633
504 :	Materials and Supplies				
50401	Fuel & Lubricants	-	-	-	-
50402	Tires & Tubes	-	-	-	-
50499	Other Materials & Supplies	\$ 546	\$ 2,637	\$ 9,268	\$ 12,451
505 :	Utilities				
50500	Utilities	-	\$ 267	\$ 14,854	\$ 15,121
506 :	Insurance				
50603	Liability Insurance	\$ 919	-	-	\$ 919
50699	Other Insurance	-	-	-	-
508 :	Purchased Trans Service				
50800	Purchased Trans Service	\$ 1,053,694	-	-	\$ 1,053,694
509 :	Misc Expenses				
50902	Travel, Meetings & Training	\$ 264	\$ 11	\$ 1,658	\$ 1,933
50903	Association Dues & Subscriptions	188	\$ 0	\$ 2,622	\$ 2,810
50999	Other Misc Expenses	-	-	\$ 519	\$ 519
512 :	Operating Leases & Rentals				
51200	Operating Leases & Rentals	-	-	\$ 1,287	\$ 1,287
513 :	Depreciation				
51300	Depreciation	\$ 163,764	-	12,296	\$ 176,060
550 :	Ineligible Expenses				
55007	Ineligible Depreciation	\$ 152,780	-	11,999	\$ 164,779
Total Expenses					\$ 1,586,079
Total Ineligible Expenses					164,779
Total Eligible Expenses					\$ 1,421,300

Capital Area Transportation Authority
Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2008
(Unaudited)

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	22,324	989	-	23,313
611	Vehicle Miles	447,012	12,589	-	459,601

Capital Area Transportation Authority
Operating Assistance Calculation
For the Year Ended September 30, 2008

	Urban	Nonurban
Total Expenses	\$ 39,295,844	\$ 1,586,079
Less Ineligible expenses		
Interest Expense	186,532	-
Depreciation	5,258,723	164,779
Association Dues	6,020	-
Preventive Maintenance	612,000	-
Admin Expense paid by Capital Contract	263,188	-
Total Ineligible Expenses Per R&E Manual	6,326,463	164,779
Total State Eligible Expenses	\$ 32,969,381	\$ 1,421,300

Eligible Expenses for State Reimbursement	\$ 32,969,381	\$ 1,421,300
x Reimbursement Percentage	x 0.3063	x 0.3615
State Operating Assistance	\$ 10,098,521	\$ 513,800

Total Federal Eligible Expenses

Eligible Expenses for State Reimbursement	\$ 1,421,300
x Reimbursement Percentage	x 0.1600
Federal Section 5311 Operating Assistance	\$ 227,408
Note: Federal Section 5311 Operating Assistance may be a lower level than calculated due to funding restrictions; \$208,314 was recorded in the financial statements.	

Any capital money used to pay for operating expense has been subtracted out as ineligible expense.

Depreciation expense included to be reimbursed with State formula funds only includes assets purchased with local funds where the useful life of the asset has been approved by BPT.

Capital Area Transportation Authority
Schedule of Computations of Net Eligible Costs for General Operations

	Year Ended September 30, 2008		Year Ended September 30, 2007	
	Federal Operating Assistance	State Operating Assistance	Federal Operating Assistance	State Operating Assistance
<u>Section 5307 and Act 51 (Urban)</u>				
General operating expenses	\$ 39,224,462	\$ 39,224,462	\$ 35,648,110	\$ 35,648,110
Less ineligible expenses:				
Miscellaneous	6,020	6,020	4,661	4,661
Depreciation	4,827,761	4,827,761	4,292,130	4,292,130
Section 18 operating expenses	1,421,300	1,421,300	1,223,467	1,223,467
	<u>6,255,081</u>	<u>6,255,081</u>	<u>5,520,258</u>	<u>5,520,258</u>
Net eligible expenses	32,969,381	<u>\$ 32,969,381</u>	30,127,852	<u>\$ 30,127,852</u>
Less project revenue:				
Farebox	<u>5,085,896</u>		<u>3,721,617</u>	
Net expenses - federal	<u>\$ 27,883,485</u>		<u>\$ 26,406,235</u>	
Maximum federal reimbursement (50%)	<u>\$ 13,941,743</u>		<u>\$ 13,203,118</u>	
Maximum state reimbursement (50%)		<u>\$ 16,484,691</u>		<u>\$ 15,063,926</u>
<u>Section 5311 and Act 51 (Rural)</u>				
General operating expenses	\$ 1,421,300	<u>\$ 1,421,300</u>	\$ 1,223,467	<u>\$ 1,223,467</u>
Less project revenue:				
Farebox	<u>81,853</u>		<u>62,761</u>	
Net expenses - federal	<u>\$ 1,339,447</u>		<u>\$ 1,160,706</u>	
Maximum federal reimbursement (60%)	<u>\$ 803,668</u>		<u>\$ 696,424</u>	
Maximum state reimbursement (60%)		<u>\$ 852,780</u>		<u>\$ 734,080</u>
Federal funding (16.00% and 17.00%)	<u>\$ 227,408</u>		<u>\$ 207,989</u>	

Capital Area Transportation Authority
Schedule of Mileage Data
(Unaudited)

	Year Ended September 30, 2008		Year Ended September 30, 2007	
	Public Transportation Mileage	Purchased Transportation Mileage	Public Transportation Mileage	Purchased Transportation Mileage
Linehaul:				
1st quarter	910,646		826,552	
2nd quarter	904,068		820,678	
3rd quarter	786,650		701,193	
4th quarter	810,118		731,741	
Total linehaul	3,411,482		3,080,164	
Demand response:				
1st quarter	204,078	619,575	207,951	543,642
2nd quarter	220,237	617,130	206,359	578,150
3rd quarter	207,405	587,729	206,017	561,909
4th quarter	202,507	564,401	200,708	560,265
Total demand response	834,227	2,388,835	821,035	2,243,966
Total operation	4,245,709	2,388,835	3,901,199	2,243,966

Capital Area Transportation Authority
Schedule of Vehicle Hours and Passengers
(Unaudited)

	Year Ended September 30, 2008			
	Vehicle Hours	Regular Passengers	Senior Passengers	Passengers With Disabilities
Linehaul:				
1st quarter	66,826	2,721,184	119,684	106,135
2nd quarter	66,839	3,100,810	123,884	109,860
3rd quarter	56,603	1,851,548	141,553	125,528
4th quarter	57,974	2,127,027	143,137	126,932
Total linehaul	248,242	9,800,569	528,258	468,455
Demand response:				
Regular:				
1st quarter	18,431	13,926	5,411	18,232
2nd quarter	19,311	16,874	5,394	19,872
3rd quarter	18,225	8,666	6,029	20,079
4th quarter	17,869	7,549	5,484	19,940
Total regular	73,836	47,015	22,318	78,123
Purchased transportation:				
1st quarter	36,332	18,343	19,418	56,448
2nd quarter	38,284	18,748	19,075	56,816
3rd quarter	36,122	17,211	19,061	53,069
4th quarter	34,279	12,844	18,802	51,764
Total purchased transportation	145,017	67,146	76,356	218,097
Total demand response	218,853	114,161	98,674	296,220
Total operation	467,095	9,914,730	626,932	764,675

Year Ended September 30, 2007

Vehicle Hours	Regular Passengers	Senior Passengers	Passengers With Disabilities
62,865	2,704,155	109,534	95,613
62,639	2,993,784	106,669	93,110
55,398	1,774,851	116,858	102,007
58,142	1,869,431	117,471	102,536
<u>239,044</u>	<u>9,342,221</u>	<u>450,532</u>	<u>393,266</u>
18,221	17,117	5,831	17,403
18,115	20,018	5,299	17,555
17,972	11,418	5,614	19,526
17,636	8,139	5,701	19,776
<u>71,944</u>	<u>56,692</u>	<u>22,445</u>	<u>74,260</u>
33,086	14,525	19,084	50,880
34,421	15,155	20,184	54,960
33,607	14,034	19,516	51,787
33,446	13,077	18,854	51,276
<u>134,560</u>	<u>56,791</u>	<u>77,638</u>	<u>208,903</u>
<u>206,504</u>	<u>113,483</u>	<u>100,083</u>	<u>283,163</u>
<u><u>445,548</u></u>	<u><u>9,455,704</u></u>	<u><u>550,615</u></u>	<u><u>676,429</u></u>

SINGLE AUDIT

**Capital Area Transportation Authority
Schedule of Expenditures of Grant Awards
For the Year Ended September 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor Number	State Grantor Number	Program or Award Amount	Federal Receipts	State Receipts	Expenditures (Revenues)	Receivable Balance 9/30/2008	Amount Remaining
<u>U.S. Department of Transportation</u>									
Direct Assistance (Federal Transit Cluster):									
UMTA Capital Assistance -FY05 s-5307	20.507	MI-90-X452		\$ 4,797,297	\$ 928,492	\$ -	\$ 879,969	\$ 43,989	\$ 399,968
UMTA Capital Assistance -FY05 s-5307 - Planning	20.507	MI-90-X452		-	18,820	-	18,820	-	-
UMTA Capital Assistance -FY05 s-5309	20.500	MI-03-0217		4,130,057	-	-	-	1	333,837
UMTA Capital Assistance -FY06 s-5307	20.507	MI-90-X491		4,382,684	399,920	-	322,734	70,156	430,211
UMTA Capital Assistance -FY06 s-5307 - Planning	20.507	MI-90-X491		-	64,614	-	64,614	-	-
UMTA Capital Assistance -FY06 s-5307	20.507	MI-90-X510		395,720	87,688	-	91,588	15,231	132,081
UMTA Capital Assistance -FY06 s-5309-2	20.500	MI-90-0004		2,722,500	-	-	-	-	742,500
UMTA Capital Assistance -FY07 s-5307	20.507	MI-90-X528		4,609,169	523,364	-	626,053	102,689	2,591,735
UMTA Capital Assistance -FY07 s-5307 - Planning	20.507	MI-90-X528		-	91,058	-	91,058	-	-
UMTA Capital Assistance -FY08 s-5307	20.507	MI-90-X554		5,003,702	1,391,381	-	1,099,329	32,690	3,579,631
UMTA Capital Assistance -FY09 s-5307	20.507	MI-90-Xxxx		-	-	-	324,742	324,742	-
UMTA Capital Assistance -FY07 s-5309-2	20.500	MI-04-0017		850,000	-	-	-	-	850,000
UMTA Capital Assistance -FY07 s-5307-3	20.507	MI-95-X005		207,000	-	-	-	-	207,000
				27,098,129	3,505,337	-	3,518,907	589,498	9,266,963
Passed through the Michigan Department of Transportation:									
Capital Assistance-Section -FY04 s-5313	20.515	MI-80-X013		48,000	13,921	-	13,921	-	-
				48,000	13,921	-	13,921	-	-
Total Federal Capital Assistance				27,146,129	3,519,258	-	3,532,828	589,498	9,266,963
<u>Michigan Department of Transportation</u>									
Direct Assistance:									
MDOT Capital Assistance -FY05 s-5307	N/A	02-0024-Z23		627,619	-	55,749	76,886	45,755	18,572
MDOT Capital Assistance -FY05 s-5309	N/A	02-0024-Z22		999,389	-	42,942	-	-	83,459
MDOT Capital Assistance -FY06 s-5307	N/A	02-0024-Z27		667,134	-	13,244	6,744	6,909	43,251
MDOT Capital Assistance -FY06 s-5309	N/A	02-0024-Z28		495,000	-	284,914	-	-	-
MDOT Capital Assistance -FY04 s-5313	N/A	02-0024-Z15		12,000	-	3,480	3,480	-	-
MDOT Capital Assistance -FY07 s-5307	N/A	07-0185-Z03		708,246	-	194,845	61,604	61,604	451,797
MDOT Capital Assistance -FY08 s-5307	N/A	07-0185-Z10		737,645	-	-	115,165	196,351	541,294
MDOT Capital Assistance -FY009 s-5307	N/A	07-0185-Zxx		-	-	-	81,186	81,186	-
Total State Capital Assistance				4,247,033	-	595,174	345,065	391,805	1,138,373
Total Capital Assistance				31,393,162	3,519,258	595,174	3,877,893	981,303	10,405,336
<u>U.S. Department of Transportation</u>									
Passed through the Michigan Department of Transportation:									
Operating Assistance-Section 5311	20.509	02-0024-Z21		-	-	-	-	(4)	-
Operating Assistance-Section 5311	20.509	02-0024-Z25		-	-	-	-	9,265	-
Operating Assistance-Section 5311	20.509	02-0185-Z02		-	62,239	-	-	-	-
Operating Assistance-Section 5311	20.509	02-0185-Z07		208,314	167,621	-	208,314	40,693	-
				208,314	229,860	-	208,314	49,954	-
Total Federal Operating Assistance				208,314	229,860	-	208,314	49,954	-

Capital Area Transportation Authority
Schedule of Expenditures of Grant Awards (Concluded)
For the Year Ended September 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor Number	State Grantor Number	Program or Award Amount	Federal Receipts	State Receipts	Expenditures (Revenues)	Receivable Balance 9/30/2008	Amount Remaining
<u>Michigan Department of Transportation</u>									
Direct Assistance:									
Operating Assistance - Act 51 (Rural)	N/A		FY 2005	\$ (1,200)	\$ -	\$ (600)	\$ (1,200)	\$ (600)	\$ -
Operating Assistance - Act 51 (Urban)	N/A		FY 2005	30,648	-	15,324	30,648	15,324	-
Operating Assistance - Act 51 (Rural)	N/A		FY 2006	-	-	-	16,266	16,266	-
Operating Assistance - Act 51 (Urban)	N/A		FY 2006	-	-	-	312,335	312,335	-
Operating Assistance - Act 51 (Rural)	N/A		FY 2007	-	-	-	-	(10,274)	-
Operating Assistance - Act 51 (Urban)	N/A		FY 2007	364,927	-	(121,050)	364,927	-	-
Operating Assistance - Act 51 (Rural)	N/A		FY 2008	513,800	-	470,671	513,800	43,129	-
Operating Assistance - Act 51 (Urban)	N/A		FY 2008	10,098,521	-	10,214,385	10,098,521	(115,864)	-
Project Zero: Clinton County	N/A		02-0024-Z06	-	-	-	-	(12,172)	-
Specialized Services -FY07	N/A		07-0185-Z01	-	-	15,941	-	-	-
Specialized Services -FY08	N/A		07-0185-Z06	82,189	-	53,497	82,189	28,692	-
Total State Operating Assistance				11,088,885	-	10,648,168	11,417,486	276,836	-
Total Operating Assistance				11,297,199	229,860	10,648,168	11,625,800	326,790	-
Total Financial Assistance				\$ 42,690,361	\$ 3,749,118	\$ 11,243,342	\$ 15,503,693	\$ 1,308,093	\$ 10,405,336
Total Federal Financial Assistance				\$ 27,354,443	\$ 3,749,118	\$ -	\$ 3,741,142	\$ 639,452	\$ 9,266,963
Total State Financial Assistance				15,335,918	-	11,243,342	11,762,551	668,641	1,138,373
Total Financial Assistance				\$ 42,690,361	\$ 3,749,118	\$ 11,243,342	\$ 15,503,693	\$ 1,308,093	\$ 10,405,336

Notes to Schedule of Expenditures of Grant Awards

1 The above Schedule of Expenditures of Grant Awards presents the activity of all federal and state awards programs of Capital Area Transportation Authority. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Capital Area Transportation Authority is defined in Note 1 of the Authority's basic financial statements.

2 The accompanying Schedule of Grant Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the Authority's basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

February 27, 2009

To the Board of Directors of the
Capital Area Transportation Authority
Lansing, Michigan

We have audited the financial statements of the major fund and the remaining fund information of *Capital Area Transportation Authority*, as of and for the year ended September 30, 2008, which collectively comprise the *Capital Area Transportation Authority's* basic financial statements, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Capital Area Transportation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Capital Area Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of *Capital Area Transportation Authority*, in a separate letter dated February 27, 2009.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

February 27, 2009

To the Board of Directors of the
Capital Area Transportation Authority
Lansing, Michigan

Compliance

We have audited the compliance of *Capital Area Transportation Authority* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. *Capital Area Transportation Authority's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *Capital Area Transportation Authority's* management. Our responsibility is to express an opinion on *Capital Area Transportation Authority's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Capital Area Transportation Authority's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Capital Area Transportation Authority's* compliance with those requirements.

In our opinion, *Capital Area Transportation Authority* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control over Compliance

The management of *Capital Area Transportation Authority* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Capital Area Transportation Authority's* internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

CAPITAL AREA TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant Deficiency (ies) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency (ies) identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

CAPITAL AREA TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.500 & 20.507

Federal Transit Cluster

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

* * * * *

February 27, 2009

To the Board of Directors
Capital Area Transportation Authority

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Capital Area Transportation Authority* (the “Authority”) for the year ended September 30, 2008, and have issued our report thereon dated February 27, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated December 4, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the *Authority’s* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the *Authority’s* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the *Authority’s* compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the *Authority’s* compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence and discussions about planning matters on December 1, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *Authority* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. No significant unusual accounting transactions occurred during the year.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 27, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Capital Area Transportation Authority* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.

CAPITAL AREA TRANSPORTATION AUTHORITY

Comments and Recommendations

For the Year Ended September 30, 2008

In planning and performing our audit of the financial statements of the Capital Area Transportation Authority as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

Purchase Order System

Certain test of transactions noted that several purchase orders requisitions were prepared after the date of the invoice from the vendor or contractor. In order to preserve the integrity of the purchasing system, we recommend that all purchases have purchase order requisitions completed and approved before goods or services are ordered.

CAPITAL AREA TRANSPORTATION AUTHORITY

Comments and Recommendations (Concluded)

For the Year Ended September 30, 2008

Payroll Maintenance Review

Payroll is a major expense for the Authority. During our evaluation and testing of the payroll system it was noted that pay rate changes to the payroll software are not reviewed by a person independent of payroll preparation on a regular basis. We recommend that an individual independent of payroll preparation periodically review a maintenance report from the payroll software that reports all rate changes made during the review period, which could be monthly or quarterly, as a measure to strengthen internal controls in this area.

Interbank Transfers

Interbank and wire transfers are completed by the same individual that completes the monthly bank reconciliations. Currently no standard approval form is used for these transfers. We suggest that the Authority create a standard transfer form for transfer approval, and we also suggest that an individual independent of the person initiating the wire transfer approve and document this approval on all interbank and wire transfers.

Token and Pass Consignment Reconciliation

A "Media Manager/ MAS90 Application Reconciliation" worksheet is used by the Authority to reconcile the amount of tokens/passes out on consignment. This form is presently not signed off on by the preparer, nor the reviewer when reconciling the balances within the accounting system and the amount recorded by the vendors. In order to enhance the internal controls in this area, we recommend that the preparer and reviewer document these key processes by initialing and dating the media accounting forms.

Farebox Reconciliation

A "Farebox Deposits" monthly worksheet is used by the Authority to reconcile the amount of farebox currency and coin to the amount of currency and coin recorded in the GFI software. This form is presently not signed by the preparer, nor the reviewer, when reconciling the balances. In order to enhance the internal controls in this area, we recommend that the preparer and reviewer document these key processes by initialing and dating the cash accounting forms.

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